

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION	TRANSMITTAL NUMBER AT-92-27	STATE TENNESSEE
	PROGRAM IDENTIFICATION TITLE XIX	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES	PROPOSED EFFECTIVE DATE July 1, 1992	

TYPE OF PLAN MATERIAL (Check One)

☐ NEW STATE PLAN ☒ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☐ AMENDMENT

COMPLETE NEXT 4 BLOCKS IF THIS IS AN AMENDMENT (Separate transmittal for each amendment)

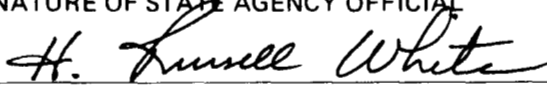

FEDERAL REGULATION CITATION 42 CFR 447	
NUMBER OF THE PLAN SECTION OR ATTACHMENT Attachment 4.19A, pages 3a of 13 and 4 of 13.	NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT Attachment 4.19A, pages 3a of 13 and 4 of 13.

SUBJECT OF AMENDMENT

Methods and Standards for Establishing Payment Rates for Acute Care Inpatient Hospital Services.

GOVERNOR'S REVIEW (Check One)

☒ GOVERNOR'S OFFICE REPORTED NO COMMENT ☐ OTHER, AS SPECIFIED:
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

SIGNATURE OF STATE AGENCY OFFICIAL 	FOR REGIONAL OFFICE USE ONLY	
	DATE RECEIVED September 22, 1992	DATE APPROVED November 13, 2000
TYPED NAME: H. Russell White	PLAN APPROVED - ONE COPY ATTACHED	
TITLE: Commissioner	EFFECTIVE DATE OF APPROVED MATERIAL July 1, 1992	
DATE: September 11, 1992	SIGNATURE OF REGIONAL OFFICIAL 	
RETURN TO: Tennessee Department of Health Bureau of Medicaid 729 Church Street Nashville, Tennessee 37247-6501 Attn: George Woods	TYPED NAME: Eugene A. Grasser	
	TITLE: Associate Regional Administrator Division of Medicaid and State Operations	
	REMARKS:	

- 2(a) Effective October 1, 1991 capital costs will be reduced by 15% for dates of service October 1, 1991 through June 30, 1992. Reduction will be figured into year and final settlements. Hospitals designated as Sole Community Hospitals are exempt from percentage reductions in capital costs. Effective July 1, 1992, hospitals will be reimbursed 100% of capital costs for dates of service July, 1, 1992 and later.
- (b) Additional capital costs due to revalued assets will be recognized only when an existing provider is purchased by another provider in a bona fide sale (arms length transaction). The new value for reimbursement purposes shall be the lesser of (1) the purchase price of the asset at the time of the sale, (2) the fair market value of the asset at the time of the sale (as determined by an MAI appraisal), (3) current reproduction cost of the asset depreciated on a straight line basis over its useful life to the time of the sale, or (4) for facilities undergoing a change of ownership on or after July 18, 1984, the acquisition cost to the first owner on record on or after July 18, 1984. The cost basis of depreciable assets in a sale not considered bona fide is additionally limited to (5) the seller's cost basis less accumulated depreciation. The purchaser has the burden of proving that the transaction is a bona fide sale should the issue arise. Gains realized from the disposal of depreciable assets while a provider is participating in the program are to be a deduction from allowable capital costs. All sales as of July 18, 1984, will be in compliance with the provisions of Section 2314 of DEFRA.

DS/D2062163 Rules

TN
NO. 92-27
Supersedes
TN
NO. 91-48

Approval Date NOV 13 2000

Effective 7/1/92

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- (3) The payment of return on equity will be determined by Medicare principles of cost reimbursement, 42 CFR 405, in effect on August 1, 1983 providing that, effective April 20, 1983, return on equity shall be adjusted to reflect 100% of the average rate of interest on obligations issued for purchase by the Federal Hospital Insurance Trust Fund.

EXAMPLE

Base year:	12/31/82
Base Year Cost Report Received	5/1/83
Initial Prospective Rate Determined	6/1/83
Beginning of Prospective Payment	1/1/84
12/31/83 Cost Report Received	5/1/84
12/31/83 Cost Report Rate	
Adjustment Completed	6/1/84

In this example, the initial prospective rate continues until June 1, 1984. On June 1, 1984, the rate is adjusted (for service dates on or after June 1, 1984) for the Tennessee Medicaid share of the actual capital costs, medical education costs, hospital-based physician costs, and return on equity (for proprietary providers only) reported on the December 31, 1983, cost report. Adjustments in reimbursement for return on equity applicable to proprietary providers is in accordance with Medicare's (Title XVIII) schedule which is set out at page 5 of 11 of Attachment 4.19-A of this state plan.

- (4) Beginning July 1, 1987 the pass-through component will be paid as a quarterly lump-sum payment established in June of each year. The quarterly payment will be prospective based upon the most recent cost report with adjustment for all audited cost.

Example

First year

Pass through cost based on an unaudited cost report for year-end June 30, 1986.
\$200,000

Second year

Pass through cost based on an unaudited cost report for year-end June 30, 1987.
\$240,000

Third year

Pass through cost based on an unaudited cost report for year-end June 30, 1988.
\$260,000

Final audit cost for July 1, 1987 through June 30, 1988. \$180,000

D3054173

TN No. 92-27

Supersedes

TN No. 88-15

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